

# Liberalization Steams Up Hong Kong's Rice Market

By Caroline Yuen and Chris Li

**A**lthough Thailand is expected to retain its status as dominant supplier (almost 83 percent in calendar year 2002), the newly liberalized rice trade in Hong Kong is expected to bring more players into the market.

Now is an opportune time for suppliers with high quality, competitively priced U.S. rice to make a move to increase sales from the current \$2 million a year. Drought conditions in Australia, Hong Kong's No. 2 supplier, will probably lessen that country's exports in 2003.

## Restrictions Lifted

Because rice had long been the critical staple in a region that doesn't produce its own crop, Hong Kong's government imposed a control system in 1955, when supply was a major community concern. Strict financial and residency requirements for importers and wholesalers,

along with allocated import quotas and high stock reserves, limited imports and kept prices artificially high.

Ironically, it was a fall-off in consumption that convinced Hong Kong's government that the time was ripe to open the rice import market. Beguiled by Western-style foods, consumers began to vary their rice-based diets. The average annual per capita consumption of rice dropped from 78 kg (1 kilogram = 2.2046 pounds) in 1975 to 48 kg in 2000, down 38 percent.

The elimination of Hong Kong's import quota system on Jan. 1, 2003, ended the 48-year trade regime that controlled its rice supply. Liberalization that began in 1997 paved the way for the final removal of entry barriers and middle layers of distribution.

## Prices Coming Down

Currently, 40 percent of rice sells through the retail sector, while 60 percent goes to the catering industry. There are no longer restrictions on who can sell to whom. Since importers can now sell directly to retailers or consumers, distribution costs are lower. The reduced requirement for stock reserves (from

## U.S. Rice Prices Competitive

**W**hile Hong Kong consumers are accustomed to buying Thai rice and favor its flavor, texture and competitive price, U.S. suppliers are getting their chance to compete with Thai and other rice suppliers. The increasing number of importers who want quality and good pricing will be looking for more sources.

U.S. prices for the first part of 2002 were very competitive, in fact the lowest after Thailand. China's prices have been highest.

### Average Price Per Kilogram in 2002 (in U.S. Dollars)

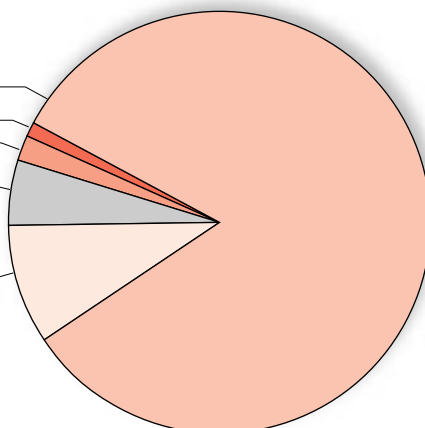
China: 0.54  
Australia: 0.48  
Thailand: 0.37  
United States: 0.39

45,000 metric tons before 1998 to 13,500 tons in 2002) has also cut warehousing expenses for importers.

True to projections, retail prices for rice have already dropped—around 30-50 percent from December 2002 to April 2003, with more declines expected. ■

## U.S. Rice Suppliers Have Greater Access to Hong Kong's Market

Thailand 83%  
Other 1%  
United States 2%  
China 5%  
Australia 9%



Hong Kong imported \$129 million worth of rice in 2002. U.S. sales were \$2.4 million, up from \$1.7 million two years earlier.

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